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## EU-27

## Livestock and Products

## Annual

## 2007

**Approved by:**

Kelly Stange

U.S. Mission to the EU

**Prepared by:**

Yvan Polet

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**Report Highlights:**

Bulgaria and Romania joined the EU to form the EU-27 at the beginning of the year. This should only have minor impacts on EU meat markets, although meat imports will drastically decrease as a result of EU legislation.

The EU beef market continues its slow decline in production and consumption again in 2007, after a spike in 2006 as a result of increased slaughter in the UK and increased veal consumption in the Mediterranean. EU beef imports continue to further increase, while beef exports further decline because of lack of supplies and high domestic prices.

The EU pig and pork market is peaking in 2007, after a profitable 2006. However, oversupplies and increased feed costs are eating into this profitability and pork production is forecast to slightly decrease in 2008. EU pork exports are forecast to lose market share in 2008, while the increase in domestic pork consumption is forecast to level off.

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Includes PSD Changes: Yes

Includes Trade Matrix: No

Annual Report

Brussels USEU [BE2]

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**DISCLAIMER**

The numbers in PS&D's in this report are not official USDA numbers, but they result from a collaborative effort by FAS EU offices to consolidate PS&D's from all 27 EU member states into the first EU-27 PS&D.

This report is the result of active collaboration with the following EU FAS colleagues in the member states:

Xavier Audran from FAS Paris covering France  
Mila Boshnakova from FAS Sofia covering Bulgaria  
Monica Dobrescu from FAS Bucharest covering Romania  
Bob Flach from FAS The Hague covering the Benelux  
Michael Hanley from FAS Dublin covering Ireland  
Petra Hrdlickova from FAS Prague covering the Czech Republic  
Stephen Hammond from FAS Madrid covering Portugal and Spain  
Steve Knight from FAS London covering the United Kingdom  
Roswitha Krautgartner from FAS Vienna covering Austria  
Hasse Kristensen from FAS Copenhagen covering Denmark  
Asa Lexmon from FAS Stockholm covering Finland and Sweden  
Sabine Lieberz from FAS Berlin covering Germany  
Jana Mikulasova from FAS Prague covering the Slovak Republic  
Andreja Misir, from FAS Zagreb covering Slovenia  
Ferenc Nemes from FAS Budapest covering Hungary  
Piotr Rucinski from FAS Warsaw covering Estonia, Latvia, Lithuania, and Poland

**NOTE**

This report is the first EU consolidated livestock report following the accession of Bulgaria and Romania. For this report, the old columns in the PSD's are covering the EU-25 market, while the new columns relate to the EU-27. With the accession, trade between the EU-25 and these latest two new EU member states became intra-EU trade, which explains the reported decreases in cattle imports, and swine and pork exports.

FAS/Washington also seized the occasion to implement new livestock reporting guidelines for the EU. Some changes were made to the reported HS codes and conversion factors as referenced in the table below.

	EU-25 (old)		EU-27 (new)	
	HS codes	Conversion factors	HS codes	Conversion factors
Beef	0201, 0202	PWE X 1.36 = CWE	0201, 0202	PWE X 1.40 = CWE
	021020, 160250	PWE X 1.79 = CWE	021020, 160250	PWE X 1.79 = CWE
Pork	0203, 021011, 021012, 021019, 160241, 160242, 160249	PWE X 1.21 = CWE	0203, 021011, 021012, 021019, 160241, 160242, 160249	PWE X 1.30 = CWE
	16010091, 16010099	PWE X 1.39 = CWE		

## Executive Summary

The beginning of 2007 brought another expansion of the European Union, with two additional member states (MS): Bulgaria and Romania. While this enlargement is much smaller than the 2004 accession of ten New Member States (NMS-10), it again integrates two poorer countries, adding 29 million inhabitants, in which agriculture is an important economic sector and employer. However, both countries are net meat importers and will therefore have a minor impact on EU meat markets. Bulgaria and Romania combined add four percent to the EU cattle herd size and slightly less to the EU pig population, with Romania providing 90 percent of the pigs. One of the main impacts of this enlargement on the EU market was the threat from Russia to close its border for all EU animal products, for fear for the animal health situation in Bulgaria and Romania, especially for Classical Swine Fever (CSF) and Avian Influenza (AI).

EU beef production is in a continuous decline as a result of increasing efficiency in milk production and a fixed milk production quota. This was temporarily reversed in 2006 when the United Kingdom adopted BSE testing like the remainder of the EU MS and put an end to its Over Thirty Month disposal scheme for older cattle. As a result, 350,000 additional cattle were slaughtered for human consumption and export into the EU market in 2006. However, this one time shock means EU beef production will resume its downward course in 2007. The outbreak of Foot and Mouth (FMD) in Brazil in 2005, followed by an export ban on the three infected provinces, made a smooth shift of Irish beef exports from the UK to the European continent possible. This resulted in increasing EU beef prices to record levels. An outbreak of Bluetongue disease of serotype 8 in the Benelux, the west of Germany and the northeast of France in the summer of 2006 is not expected to impact the cattle market much, unless it spreads into the center of France.

While beef imports into the EU-15 are increasing in 2007, EU-27 total beef imports are slightly decreasing because of a halt in beef imports, at least temporary, into Bulgaria and Romania, which mainly come from Brazil. EU beef exports continue to decrease for lack of supplies and lack of competitiveness because of high domestic beef prices. In 2007, as consumers renewed confidence in poultry meat, EU consumption of beef renewed its slow decline.

Pig and pork production are expected to further increase by 1.6 percent in 2007, as they were stimulated by profitable market conditions in 2006. However, an oversupply situation, especially in Poland, has pushed pig prices down at the beginning of 2007 and increasing feed costs are eating into profitability. As a result, EU pig production is forecast to slow down at the end of 2007 and in 2008. Former imports of U.S. and Canadian pork to the two new MS, mainly Romania, strongly decrease in 2007 as a result of higher EU import tariffs. EU pork exports are struggling to keep up in 2007. Decreasing Danish pork exports to Japan, as a result of the return of U.S. beef and increased competition from Canada, are being redirected to Russia and South Korea. EU domestic pork consumption is further increasing in 2007, but this increase is forecast to level off in 2008.

## Cattle

Country	EU-27					
Commodity	Animal Numbers, Cattle (1000 Head)					
	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [old]	Posts estimates [EU-27]
Market Year	2006		2007		2008	
Total Cattle Beg. Stocks	85,804	89,345	85,150	88,334	0	87,810
Dairy Cows Beg. Stocks	22,981	24,944	22,550	24,344	0	24,100
Beef Cows Beg. Stocks	12,051	12,073	12,050	12,020	0	12,000
Production (Calf Crop)	29,900	30,350	29,700	30,470	0	30,135
Extra EU27 imports	68	4	50	4	0	5
<b>TOTAL SUPPLY</b>	<b>115,772</b>	<b>119,699</b>	<b>114,900</b>	<b>118,808</b>	<b>0</b>	<b>117,950</b>
Extra EU27 exports	290	468	200	420	0	420
Cow Slaughter	7,030	7,075	7,000	6,930	0	6,870
Calf Slaughter	5,475	5,590	5,450	5,470	0	5,425
Total Slaughter	28,150	28,897	27,900	28,700	0	28,350
Loss	2,182	2,000	2,000	1,878	0	1,750
Ending Inventories	85,150	88,334	84,800	87,810	0	87,430
<b>TOTAL DISTRIBUTION</b>	<b>115,772</b>	<b>119,699</b>	<b>114,900</b>	<b>118,808</b>	<b>0</b>	<b>117,950</b>

Source: FAS EU Offices

## 2006

The accession of Bulgaria and Romania to the European Union (EU) on January 1, 2007 added some 3.5 million head or 4 percent to the EU cattle herd. Dairy cows constitute 90 percent of the combined Bulgarian and Romanian cow herds. As a result, this enlargement is not impacting the specialized EU beef production sector. As surveys estimate that milk of only about half of the cow herd is delivered to dairies, expectations are that a significant consolidation will occur in the next years. The two most significant factors which are likely to affect further consolidation and excess slaughter is the application of milk quotas in 2007 and feed deficits.

As a result, the longstanding decline in EU cattle herds, which is the consequence of the continued increase in milk production per cow, will only be strengthened through this latest EU enlargement. Despite this ongoing cattle herd contraction, EU slaughter in 2006 slightly increased. The additional slaughter of some 350 thousand additional older cattle in the United Kingdom, as a result end of the Over Thirty Month (OTM) disposal scheme, more than offset the trend line decrease. Some increased slaughter numbers were also reported as the 2006 summer drought and increasing grain prices were inflating the feed bill, thus decreasing profitability despite high cattle prices. An outbreak of Bluetongue (BT) disease of serotype 8 in the Benelux and adjacent areas in Germany and France locally disrupted animal transports, yet there were no serious implications for the overall EU market. Because Romania and Bulgaria are important suppliers of cattle for slaughter to the Balkan countries and the Middle East, EU cattle exports almost double as a consequence of this enlargement.

## 2007

EU cattle inventories are further declining in 2007. The brief restocking of the herds in the 10 New Member States (NMS) after large numbers of cattle were sold to the EU-15 upon the

2004 enlargement is coming to an end. Dairy herds are decreasing as a result of increased milk productivity in most MS, while increases in beef herds in some MS, such as France, are offset by decreasing beef herds elsewhere, for example in Italy and Ireland. As a result, EU cattle slaughter is decreasing again. Despite favorable fodder conditions in the spring of 2007, high feed prices continue to depress profitability, especially as EU cattle prices started declining in the second quarter of 2007. The negative vote on the Herculex GMO corn approval in the June EC Standing Committee (SCoFAH) has the potential to cause further feed cost increases as Corn Gluten Feed (CGF) imports from the United States into the United Kingdom, Ireland, the Benelux and Germany may come to a halt after the 2007 corn harvest. The decrease in EU cattle prices seem to come on the heels of increased beef imports from Brazil in the first quarter of 2007.

A decrease in calf slaughter for veal is expected in The Netherlands, France and Italy. In The Netherlands, this is the result of reduced intra EU export opportunities for veal. EU veal consumption is declining to pre-AI levels again, particularly in Italy, as consumers regained confidence in poultry meat. In addition, soaring milk powder prices are increasing feeding costs beyond profitability. As a consequence, calf prices have been decreasing and that makes the fattening of cattle more profitable than the export of calves in Denmark and Poland. This price decline for calves has been enhanced by the return of calf exports from the UK to the Continent.

The finding in June in the western part of Germany of a sentinel cow with a BlueTongue infection indicates that the 2006 outbreak may not be a one time event. However, unless the disease spreads further south into the middle of France, where the disease could disrupt cattle and calf exports to Italy and Spain, consequences for the EU cattle markets are not expected to have a significant impact. Exports of cattle from the EU-27, especially the two new MS, are expected to decrease in 2007. However, market opportunities for the 2 new MS to the rest of the EU are increasing. That said, demand in traditional markets nearby in the Balkans and the Mediterranean is expected to continue. Cattle exports from Hungary to Lebanon, Israel and Croatia are expected to increase as some farmers abandon pastures as a result of the decoupling of subsidies.

## 2008

EU cattle herds are forecast to further decrease in 2008. As a result, calf births are forecast to again decrease. Cattle exports to the Balkan countries and to the Middle East are forecast to remain stable. Slaughter of adult cattle and calves are forecast to decrease in line with the decrease in calf production.

Cattle calf crop production (Top 5 EU-27 member states) 1000 Head

	2006	2007	2008
France	6,355	6,400	6,380
Germany	4,193	4,088	4,030
United Kingdom	2,877	2,820	2,770
Italy	2,650	2,550	2,520
Benelux	2,286	2,249	2,200

Benelux: Belgium, The Netherlands and Luxembourg are treated as one market

Cattle slaughter (Top 5 EU-27 member states) 1000 Head

	2006	2007	2008
France	5100	5030	5000
Italy	4054	3900	3850
Germany	3807	3690	3600
Benelux	2768	2740	2720
Spain	2575	2600	2600

Cattle exports (Top 5 EU-27 member states) 1000 Head

	2006	2007	2008
Romania	157	160	180
Bulgaria	66	63	63
Poland	62	50	50
Germany	46	40	40
Hungary	45	38	40

**Beef**

Country	EU-27					
Commodity	Meat, Beef and Veal (1000 Head; 1000 MT CWE)					
	2006		2007		2008	
	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [old]	Posts estimates [EU-27]
Slaughter (Reference)	28,150	28,897	27,900	28,700	0	28,350
Beginning Stocks	0	0	0	0	0	0
Production	7,930	8,060	7,860	8,000	0	7,900
Extra EU27 imports	560	717	580	700	0	750
<b>TOTAL SUPPLY</b>	<b>8,490</b>	<b>8,777</b>	<b>8,440</b>	<b>8,700</b>	<b>0</b>	<b>8,650</b>
Extra EU27 Exports	220	216	200	200	0	200
TOTAL Domestic Use	8,270	8,561	8,240	8,500	0	8,450
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>8,490</b>	<b>8,777</b>	<b>8,440</b>	<b>8,700</b>	<b>0</b>	<b>8,650</b>

Source: FAS EU Offices

**2006**

EU beef production increased in 2006 against the long term trend, largely due to the additional 85,000 MT produced in the United Kingdom. This was to the detriment of exports of Irish exports to the UK, while the UK also started exporting some of this additional supply to France and The Netherlands for further processing. Irish beef exports mostly reverted to the EU Continent in replacement of failing Argentine beef imports as a result of the Argentine export ban. EU beef imports in 2006 ended higher than anticipated, as imports of fresh beef from Brazil accelerated again in the second half of 2006 after a decrease in the winter of 2005 because of Food and Mouth Disease (FMD) related export problems. This decrease in beef exports from Brazil allowed Uruguay to gain market share on the EU market. EU exports of beef to Russia and North Africa further decreased because of strong price competition from Brazil. Beef and veal consumption was strong, because of increased supplies in the United Kingdom and because consumers in the eastern Mediterranean

countries lost confidence in poultry as a result of AI in the first half of 2006. As a result EU cattle prices were at record level throughout the whole of 2006.

Because of some commercial stock building in Bulgaria and Romania prior to EU accession, EU-27 consumption numbers are probably inflated by some 30,000 MT. Most of this stock building would come from importers anticipating on the increase in import tariffs under the EU tariff schedule, despite EU rules that forbid speculation with stocks before accession. Some additional supply could have come from increased slaughter before stricter EU hygiene legislation on slaughter came in force. Beef production in Bulgaria and Romania is mainly from retired dairy cows.

## 2007

In 2007, EU beef production is expected to benefit from a further increase of 27,000 MT of beef from older cattle in the United Kingdom, which were previously removed from the market under the former OTM scheme. As a result, beef exports from the UK to the Continent are expected to further increase slightly. However, this extra supply is gradually stabilizing as the surplus of older cattle gets depleted towards the end of 2007. The decrease in beef production in France has turned it into a net beef importer, importing from The Netherlands, Germany and Ireland and exporting to Italy and Greece mainly. Also in Germany beef production is expected to decrease by three percent, with an even stronger decrease from cow slaughter. Beef production in Spain, Bulgaria and Romania is struggling under decreased profitability from high feed costs. Beef production in Poland and Sweden is expected to temporarily increase taking advantage of high beef prices in the EU market. Low profitability of EU veal production because of soaring dairy based feed costs and limited availability of calves are expected to lead to further production decreases.

Beef prices in the EU started to decrease at the end of the first quarter of 2007. This price decrease comes on the heels of a surge in imports into the EU-25 in the first months of 2007, especially from Brazil. As a result, over quota beef imports from Brazil at full duty are expected to match or even exceed the pre-FMD import level of 131,300 MT CWE of the 2004/2005 quota year. Main importing MS from Brazil are Italy, The Netherlands, and the United Kingdom, while Germany is the main importer of beef from Argentina. This increase in imports in early 2007 is offset by the halt in beef imports into Bulgaria and Romania. However, Bulgaria and Romania combined filed import licenses for about 20 percent of the available TRQ's for the second half of the quota year 2006/2007, as they were entitled based on their imports in recent years before accession. This high level of import license entitlements for the TRQ's for Bulgaria and Romania is however expected to fade rapidly in the next few years.

EU beef exports in 2007 are expected to further decrease, as Russia is relaxing its import ban on beef from Brazil and because of ongoing export problems for Polish meat to Russia. In other export destinations EU beef exports are also losing market share to more competitively priced South-American beef. Beef consumption in 2007 is expected to decrease slightly in the EU-15 compared to 2006, while beef consumption in the 10 NMS is expected to remain stable at its much lower per capita consumption level. Veal consumption in 2007 is expected to decrease more significantly, as a result of renewed confidence in poultry meat in Italy and because veal producers in the Benelux are limiting production.

## 2008

EU beef markets in 2008 are forecast to remain fairly stable. Beef production is forecast to further decrease as the additional supply from surplus older cattle ends in the United Kingdom. Imports of mainly South-American beef is forecast to further increase, despite



ongoing EC traceability and FMD concerns in the Brazil beef export sector. Exports of European beef, mainly to Russia, are expected to stabilize. EU beef consumption is forecast to slightly decrease.

Beef production (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
France	1,473	1,450	1,440
Germany	1,193	1,160	1,135
Italy	1,111	1,065	1,050
United Kingdom	847	874	860
Spain	671	700	700

Beef consumption (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
France	1,602	1,579	1,574
Italy	1,598	1,585	1,600
United Kingdom	1,367	1,355	1,340
Germany	967	975	975
Spain	650	670	670

Beef exports (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
Germany	52	35	35
Ireland	41	39	39
France	31	33	34
Italy	25	30	30
Benelux	18	18	18

## Swine

Country	EU-27					
Commodity	Animal Numbers, Swine (1000 Head)					
	USDA official [EU-25]	Posts estimates [EU-27]	USDA official [EU-25]	Posts estimates [EU-27]	USDA official [old]	Posts estimates [EU-27]
Market Year Begin	2006		2007		2008	
TOTAL Beginning Stocks	151,673	157,364	152,000	159,887	0	159,900
Sow Beginning Stocks	14,899	15,302	14,850	15,411	0	15,300
Production (Pig Crop)	253,700	258,740	254,300	260,500	0	258,850
Extra EU27 imports	3	6	1	1	0	1
TOTAL SUPPLY	405,376	416,110	406,301	420,388	0	418,751
Extra EU27 exports	1,250	968	1,400	1,100	0	1,100
Sow Slaughter	3,630	3,463	3,700	3,540	0	3,520
Total Slaughter	243,000	246,620	243,600	250,745	0	249,250
Loss	9,126	8,635	9,201	8,643	0	8,601
Ending Inventories	152,000	159,887	152,100	159,900	0	159,800
TOTAL DISTRIBUTION	405,376	416,110	406,301	420,388	0	418,751

Source: EU FAS Offices

**2006**

The accession of Bulgaria and Romania to the European Union (EU) on January 1, 2007 added some 5.9 million head to the EU swine herd, taking the total to almost 160 million pigs. Romania accounts for more than 80 percent of the increase. Swine numbers in the EU-25 also increased by 0.2 percent compared to 2005, mainly as a result of expanding pig herds in Poland and Germany.

Pig production in 2006 increased by 0.5 percent, with increases recorded, beside Poland and Germany, in Spain, Denmark and The Netherlands. Increased pig production in the latter two countries was mainly for export of piglets to the NMS, including to Bulgaria and Romania, but also for exports outside the EU, mainly Croatia, Serbia, and Russia. The Benelux exported 6 million pigs and piglets, almost 0.5 million outside the EU. Meanwhile Denmark also exported 4.4 million pigs and piglets, some 45,000 outside the EU. Swedish farmers are optimistic about pig breeding in Sweden as investments in new stables quadrupled in 2006 compared to 2004. Important numbers of slaughter pigs are traded intra-EU to Germany, Italy, Hungary, and to a lesser extent Spain. A minor outbreak of Classical Swine Fever (CSF) close to the western border of Germany led to the destruction of 92,000 pigs, but did not disrupt markets. Pig slaughter in the EU-25 increased by more than 1 percent, with increases in Germany (+4%), Italy (+3%), Spain (+4%) and Poland (+6%), partly offset by decreases in The Benelux, Denmark, France and Hungary.

**2007**

Profitable pig market conditions throughout 2006 are stimulating further pig production increases in 2007. The 2006 December census showed an increase in EU-27 pig numbers of 1.6 percent, while sow numbers increased by 0.7 percent. This is expected to lead to a further increase in pig production of 0.7 percent. Further production increases are expected in Austria, Denmark, the Benelux, Italy and Romania; with renewed growth in the United Kingdom and Hungary. However, production is slowing in Germany, the Czech Republic, and Poland, which suffers from overproduction as attempts to overcome the Russian ban on imports from Poland have failed so far. This has depressed pig prices in the EU to below the 5-year average price in the first quarter of 2007, after which pig prices have started to increase seasonally again. This has hurt profitability significantly, especially in Poland, because feed cost also increased compared to 2006. Increasing exports of mainly piglets are expected to Russia and Croatia. However, problems with animal welfare for pigs in transportation could hamper Danish exports of pigs for slaughter to more distant destinations. EU expert committee slaughter previsions expect an increase in 2007 pig slaughter of 1.6 percent for the EU-25, with the largest increases expected in Germany, Italy and the United Kingdom, while slaughter in Poland should decrease again.

Slaughter in Romania is expected to further increase too, as more slaughter capacity that meets EU hygiene requirements comes online. It can also be expected that on farm slaughter, which is almost half of the total slaughter in Romania, will gradually decrease in the coming years. A similar development is expected in Bulgaria.

**2008**

EU-27 pig numbers are forecast to stabilize and marginally fall during 2008, with sow numbers and hence pig production slightly decreasing to the 2006 level again. While further production increases are forecast in Denmark, Germany, Italy, and Romania, decreases are forecast in the Benelux, the Czech and Slovak Republics, Hungary, and Poland. Polish pig farmers fear further profitability losses in 2008, as the implementation of the Polish ban on GMO's in feed, which is foreseen for August of 2008, is expected to further increase feed

costs. Pig exports are forecast continue at the same level. As a result, EU-27 slaughter in 2008 is forecast to decrease by 0.5 million head or 0.2 percent.

Pig crop production (Top 5 EU-27 member states) 1000Head

	2006	2007	2008
Germany	45,530	45,000	45,660
Spain	40,100	39,780	40,000
Benelux	32,850	32,900	32,850
Denmark	26,926	28,650	30,340
Poland	26,200	25,400	24,000

Production in France closely follows Poland

Swine slaughter (Top 5 EU-27 member states) 1000Head

	2006	2007	2008
Germany	50,113	51,900	52,500
Spain	39,320	39,500	39,600
Benelux	24,985	24,800	24,750
France	24,963	24,900	24,850
Poland	24,686	24,500	23,000

Swine exports (Top 5 EU-27 member states) 1000Head

	2006	2007	2008
Benelux	384	508	508
Poland	227	100	100
Germany	157	100	100
Estonia	61	80	80
Austria	69	70	70

## Pork

Country	EU-27					
Commodity	Pigmeat (1000 MT CWE)(1000 HEAD)					
	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [EU-25]	Posts estimates [EU-27]	USDA Official [old]	Posts estimates [EU-27]
Market Year Begin	2006		2007		2008	
Slaughter (Reference)	243,000	246,620	243,600	250,745	0	249,250
Beginning Stocks	0	0	0	0	0	0
Production	21,400	21,677	21,450	22,040	0	21,910
Extra EU27 imports	25	124	20	20	0	20
<b>TOTAL SUPPLY</b>	<b>21,425</b>	<b>21,801</b>	<b>21,470</b>	<b>22,060</b>	<b>0</b>	<b>21,930</b>
Extra EU27 exports	1,410	1,283	1,470	1,270	0	1,130
TOTAL Domestic Use	20,015	20,518	20,000	20,790	0	20,800
Ending Stocks	0	0	0	0	0	0
<b>TOTAL DISTRIBUTION</b>	<b>21,425</b>	<b>21,801</b>	<b>21,470</b>	<b>22,060</b>	<b>0</b>	<b>21,930</b>

Source: EU FAS Offices

## 2006

A 1.5 percent increase in EU pork production in 2006, compared to 2005, did not lead to a decrease in pork prices. On the contrary, pork consumption in the beginning of 2006 also benefited from the AI related decrease in poultry consumption. This was also the case in Romania, less so in Bulgaria, where pork consumption per capita is much lower. In the second half of 2006 some commercial stock building from extra-EU imports into Romania, especially from Canada, seem to have occurred. As a result, consumption numbers for 2006 are overstated, while consumption numbers for 2007 may be underestimated. EU exports of pork accelerated in the last quarter of 2006, mainly to Russia and South Korea. This resulted from the fact that Danish pork exporters refocused exports away from Japan, where pork consumption was stagnating as U.S. beef re-entered the market and competition from Canadian and U.S. pork was increasing. Increased pork demands from Russia turned out more profitable for Danish exporters.

In December 2006, Romania adopted a new vaccination plan against CSF. Romania's CSF problem had already triggered an EU ban on all Romanian pig and pork exports in 2003. The plan includes vaccination with "live" vaccine of all backyard pigs and wild boar using baits, while commercial pig herds are vaccinated with "marker" vaccines. This vaccination was necessary after Romania registered 780 outbreaks of CSF in 2006. Bulgaria also stopped classical vaccination both at commercial and backyard farms against CSF in 2006. Despite these efforts, slow and inefficient implementation of the eradication program and CSF outbreaks in 06/07 resulted in an EU ban until September 2007. The most recent EU inspection on implementation of the CSF eradication program was reportedly negative and a continuation of the export ban is likely for another 6 months or more.

## 2007

EU pork production in 2007 is expected to increase another 1.6 percent in line with increased slaughter. This increase in production is mostly expected in the EU-15 and the two new MS, where it will mainly offset decreased imports from non-EU countries. Due to the adoption of EU import tariffs and regulations, Bulgaria and Romania are expected to import about 100,000 MT less pork in total, mainly from Canada and the United States. EU pork exports are expected to stabilize in 2007 as competition from Brazil in Russia and from Canada and the United States in Asia are increasing. The continued ban from Russia on Polish meat and the ban from Japan on Hungarian pork further hamper EU pork exports. Exports to Russia decreased more than half in the first months of 2007, despite the agreement that the EU had with Russia on increased safety guarantees upon the accession of Bulgaria and Romania. While Danish pork exports to Japan further decrease, Danish pork is also facing stiffer competition in the Russian market, mainly from pork from Brazil. Domestic consumption is expected to further increase, mainly in the EU-15. However, the low pork prices compared to broiler prices are not expected to lead to any significant substitution because consumer prices do not follow producer prices. EU consumption is also somewhat overstated as it includes some 26,000 MT of stocks that the Polish government has built for its strategic reserve.

## 2008

EU pork production is forecast to decrease 0.5 percent again in 2008, in line with decreasing slaughter. It is expected that high EU pork prices will further erode EU exports, especially if Brazil improves its FMD status. EU domestic consumption of pork is forecast to increase slightly.

Pig meat production (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
Germany	4,662	4,830	4,890
Spain	3,230	3,150	3,200
Benelux	2,290	2,275	2,270
France	2,010	2,020	2,030
Poland	1,800	1,790	1,690

Pig meat consumption (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
Germany	4,609	4,650	4,700
Spain	2,480	2,480	2,480
Italy	2,603	2,690	2,725
France	1,881	1,896	1,908
Poland	1,683	1,681	1,651

Pig meat exports (Top 5 EU-27 member states) 1000MT

	2006	2007	2008
Denmark	571	580	600
Benelux	149	130	130
Germany	107	135	135
France	109	105	103
Poland	119	100	80

## Policy

### Impact of the accession of Bulgaria and Romania on EU meat markets

On January 1, 2007, Bulgaria and Romania became the 26<sup>th</sup> and 27<sup>th</sup> Member States of the European Union, adding 29 million inhabitants to the union. Their impact on EU livestock and meat markets will be rather limited, considering the small herds add about four percent to total EU herds and as both countries have a deficit for beef and pork production. As a result, it is expected that both countries will increase their intra-EU import status, as imports from outside the EU mostly have come to a halt as a result of the adoption of the “acquis communautaire”, which is the full set of EU legislation, including higher EU import tariffs. As a result, EU import bans on U.S. and Canadian beef are extended to these two new MS. Pork imports are mainly hurt by the imposition of the higher EU import tariffs.

Per capita consumption in kg	Beef	Pork	Poultry
Bulgaria	14	13	19
Romania	12	35	21
EU-15	20	42	22.5
EU-10	6.5	45	24.5

Source: - Bulgaria and Romania: FAS/Sofia, FAS/Bucharest

-EU-15 and NMS-10: [Prospects for agricultural markets and income 2006-2013](#)<sup>1</sup>

<sup>1</sup> <http://ec.europa.eu/agriculture/publi/caprep/prospects2006b/fullrep.pdf>

Pork is the principal meat consumed in Bulgaria and Romania, but per capita consumption of beef is higher in Bulgaria than in Romania. While both MS currently run deficits for these meats, their advantageous position as low cost feed producers is expected to offer good chances for future production increases and ultimately allow them to become net exporting countries. However, this will not occur before they have restructured and upgraded their production capacity, as well as solved their precarious animal health situation. Additionally, the EU requirement to stop vaccination programs, for example against CSF, before Bulgaria and Romania can export livestock and meat is a major obstacle. Private investments, underpinned by lavish EU and national subsidies, are already underway. Romania's pork production is already increasing in recent years.

### **Possible Impacts of the 2008 Health Check**

In recent months, [European Commissioner Mariann Fischer-Boel](#)<sup>2</sup> on many occasions has offered clues to the issues that will be addressed at the 2008 Health Check of the 2003 CAP Reform. Some proposed changes may impact European meat markets directly but most proposals would only have indirect effects, depending on market prices.

Beef production is expected to be impacted most directly. The proposal to convert existing partial decoupling schemes to complete decoupling could have a direct impact if this includes the full decoupling of the slaughter premium and the premium on suckling cows. Similarly, restructuring of EU dairy herds because of new changes to the EU dairy regime are expected to impact beef production. The above scenarios would presumably lead to decreases in beef production. However, the full decoupling of the premium for cereals in France and Spain could lead to increases in beef production if farmers estimate that beef production would be more profitable than growing cereals. The overall effect would likely be a further decrease in EU beef production.

EU pork and poultry production would be affected in various indirect ways. A decrease in cereal production in France and Spain, as a result of full decoupling, could lead to increases in feed costs EU wide. This could result in production decreases for pork and poultry. On the other hand, the proposed end to set aside in the EU, could increase cereal production, and hence trigger increased pork and poultry production. Before the start of the last Council meeting, EU Farm Commissioner Mariann Fischer Boel confirmed that the Commission intends to propose to reduce the rate of compulsory set-aside to zero percent for the 2008 harvest. Proposals to eliminate intervention storage for cereals, such as the recently approved [elimination of corn intervention](#)<sup>3</sup>, would supposedly lead to increasing price differentials for cereals between MS, giving MS like Hungary, the Czech Republic and Poland a feed cost advantage. This would probably lead to geographical shifts in production, within the boundaries of environmental restrictions.

### **Consequences of other European agricultural and food policies**

#### *Animal welfare*

Animal welfare has become an important issue in European animal farming over the past decade. As the EU implements its [Community Action Plan on the Protection and Welfare of](#)

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<sup>2</sup> Press releases at

<http://europa.eu/rapid/searchResultAction.do?search=OK&query=agri&username=PROF&advanced=0&guiLanguage=en>

<sup>3</sup> See GAIN E47046 - Council of the European Union adopts compromise to end corn (maize) intervention at <http://www.fas.usda.gov/gainfiles/200706/146291342.pdf>

[Animals](#)<sup>4</sup>, new requirements, including on animal housing, stocking densities, controlled environment conditions, production costs for EU producers are increasing. This may lead to a loss of competitiveness in the global market, but it also affects competitiveness between EU MS. For an example, strict animal transport welfare regulations in Denmark are troubling Danish exports of live pigs to Russia and Ukraine and violations of these rules by international transporters caught extensive media coverage in Denmark. The next topic of animal welfare in the EU are suggestions to ban pig castration without sedation or even ban pig castration altogether.

#### *GMO approval backlog*

The ongoing difficulties for EU MS to agree on new GMO approvals, even after they received favorable safety assessments from the European Food Safety Authority (EFSA), results in an ever extending list of GMOs which are cultivated outside the EU and face EU import bans as a consequence of the EU zero tolerance for non-approved GMO's. This has recently resulted not only in problems with food commodities, like rice, but even more with feed ingredients, like corn gluten feed (CGF). EU feed manufacturers are concerned about supply sources becoming restricted, more particularly that this may soon impede soybean meal imports. This would tremendously increase feed costs for EU farmers, while the eventual abandonment of set aside would hardly provide any relief because of the low efficiency of producing protein crops in the EU. DGAgri has published a report on this topic named [ECONOMIC IMPACT OF UNAPPROVED GMOS ON EU FEED IMPORTS AND LIVESTOCK PRODUCTION](#)<sup>5</sup>. See also GAIN [E47044](#)<sup>6</sup>.

#### *Environmental policies*

In several EU MS like the Benelux, France, Denmark and Ireland, animal production is being hampered by limitations for nutrient disposal on farmland as a result of the nitrate directive, which dates from 1992 and sets strict quality criteria for surface waters. Concerns in some areas of the NMS are that their expanding animal farming sectors may soon reach the limits set by this directive, too. EU limits have already been set on greenhouse emissions in the fight against climate change. However, farmer organizations fear that the EU's plans to set standards for soil conditions will further increase impediments on animal farming. The ongoing review of pesticide approvals is already increasing costs for the production of arable crops and will lead to higher feed costs. As a result, the limitations set by [EU environmental policies](#)<sup>7</sup> are expected to ultimately impose tough choices about the production of food, feed or fuel in the European Union.

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<sup>4</sup> [http://ec.europa.eu/food/animal/welfare/actionplan/actionplan\\_en.htm](http://ec.europa.eu/food/animal/welfare/actionplan/actionplan_en.htm)

<sup>5</sup> [http://ec.europa.eu/agriculture/envir/gmo/economic\\_impactGMOs\\_en.pdf](http://ec.europa.eu/agriculture/envir/gmo/economic_impactGMOs_en.pdf)

<sup>6</sup> See GAIN E47044 - Annual Agricultural Biotechnology Report 2007 at <http://www.fas.usda.gov/gainfiles/200706/146291311.pdf>

<sup>7</sup> [http://ec.europa.eu/agriculture/envir/index\\_en.htm](http://ec.europa.eu/agriculture/envir/index_en.htm)

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